

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

In re:
THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,
as representative of
THE COMMONWEALTH OF PUERTO RICO, *et
al.*,
Debtors.¹

PROMESA
Title III
No. 17 BK 3283-LTS
(Jointly Administered)

**REPLY OF THE COMMONWEALTH OF PUERTO RICO
TO RESPONSE FILED BY MANUEL A. TORRES DIAZ TO SIXTY-SECOND
OMNIBUS OBJECTION (SUBSTANTIVE) TO GDB BONDHOLDER CLAIMS**

To the Honorable United States District Judge Laura Taylor Swain:

The Commonwealth of Puerto Rico (the “Commonwealth”), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as the representative of the Commonwealth pursuant to Section 315(b) of the *Puerto Rico Oversight, Management, and Economic Stability Act* (“PROMESA”),² files this reply (the “Reply”) to the letter [ECF No. 8578] (the “Response”) filed by claimant Manuel A. Torres Diaz (the “Claimant”) in response to the *Sixty-Second Omnibus Objection (Substantive) of the Commonwealth of Puerto Rico to GDB*

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the “Commonwealth”) (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority (“PREPA” and together with the Commonwealth, COFINA, HTA, and ERS, the “Debtors”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

² PROMESA is codified at 48 U.S.C. §§ 2101-2241.

Bondholder Claims [ECF No. 8290] (the “Sixty-Second Omnibus Objection”). In support of this Reply, the Commonwealth respectfully represents as follows:

1. On July 26, 2019, the Commonwealth filed the Sixty-Second Omnibus Objection seeking to disallow certain proofs of claim (the “GDB Bondholder Claims”) that purport to assert liability based on alleged ownership of bonds issued by the Government Development Bank of Puerto Rico (“GDB”), which, as explained in the Sixty-Second Omnibus Objection, were subject to a qualifying modification filed by GDB and approved by the Court (the “Qualifying Modification”). The Qualifying Modification provided that holders of GDB Bonds (as defined in the Sixty-Second Omnibus Objection) release GDB and its affiliates from claims relating to the GDB Bonds and any action or omission of GDB and its affiliates with respect to any indebtedness of or loan to GDB. GDB is a public corporation and instrumentality of the Commonwealth, and therefore, the Commonwealth is an affiliate of GDB within the scope of the release pursuant to the Qualifying Modification. As set forth in the Sixty-Second Omnibus Objection and supporting exhibits thereto, each of the GDB Bondholder Claims asserts liabilities associated with the Commonwealth that are unenforceable against the Commonwealth and its property pursuant to Bankruptcy Code § 502(b)(1), and accordingly, each of the GDB Bondholder Claims should be disallowed because they seek recovery of amounts for which the Commonwealth is not liable.

2. Any party who disputed the Sixty-Second Omnibus Objection was required to file a response by 4:00 p.m. (Atlantic Standard Time) on August 28, 2019, in accordance with the Court-approved notice attached to the Sixty-Second Omnibus Objection as Exhibit C, which was served in English and Spanish on the individual creditors subject to the Omnibus Objections, the

U.S. Trustee, and the Master Service List (as defined in the *Order Further Amending Case Management Procedures* [ECF No. 8027]). *See Certificate of Service* [ECF No. 8329].

3. On August 30, 2019, Claimant filed the Response. Therein, Claimant does not dispute that Claimant's proof of claim, which was filed against the Commonwealth on May 7, 2018, and logged by Prime Clerk as Proof of Claim No. 10893 (the "Claim"), sought to assert a claim against the Commonwealth based on Claimant's alleged ownership of bonds bearing CUSIP number 745177ET8, which is a bond issued by the GDB that was subject to the Qualifying Modification.

4. Instead, Claimant states that he opposes the Sixty-Second Omnibus Objection "because the debt was incurred by the Commonwealth of Puerto Rico under the guidelines established by our Constitution. The Court, with all due respect, cannot go against the Constitution." Response 1. But, Claimant does not dispute that, pursuant to the Qualifying Modification, holders of GDB Bonds released GDB and its affiliates, including the Commonwealth, from claims relating to the GDB Bonds and any action or omission of GDB and its affiliates with respect to any indebtedness of or loan to GDB. Accordingly, the Commonwealth respectfully requests that the Court grant the Sixty-Second Omnibus Objection.

Dated: September 4, 2019
San Juan, Puerto Rico

Respectfully submitted,

/s/ Hermann D. Bauer

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CERTIFICATE OF SERVICE

I hereby certify that on September 4, 2019, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification to all counsel of record, and all CM/ECF participants in the case.

/s/ Hermann D. Bauer

Hermann D. Bauer